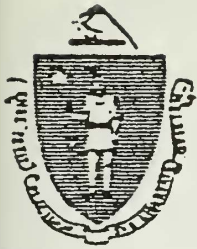


# *The Commonwealth of Massachusetts*

## *Department of Revenue*

*Leicester Saltonstall Building,*

*100 Cambridge Street, Boston 02204*



JOYCE HAMPERS  
COMMISSIONER

August 9, 1982

You inquire whether compensation deferred by employees, under a profit-sharing trust which includes a cash or deferred payment option described in Section 401(k) of the Internal Revenue Code, is taxable to the employees for Massachusetts income tax purposes in the year deferred. The cash or deferred payment option is in the form of a salary reduction agreement.

We have previously ruled (Letter Ruling 82-29) that compensation, which is not included in the employees' federal gross income in the year deferred under the profit-sharing trust, is not included in the employees' Massachusetts gross income and thus is not taxable in that year.

The contributions made pursuant to a salary reduction agreement would have similar treatment and would not be taxed until distributed or made available to the employee.

Very truly yours,

A handwritten signature in cursive script, reading "Joyce Hampers".

Commissioner of Revenue

LJB:JD:mE

LR 82-80